



Factors Affecting Customer Satisfaction in Small
and Medium Sized Enterprises Sector in Tanzania
a
Case Study of Chemba District Councilia

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2024

DECLARATION

AND

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I, **Martha Edward Makatha** , declare that this thesis is my own original work

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ABSTRACT

Customer satisfaction is a complex thing to achieve in business especially for small and medium enterprises. This is because there is an increasing competition and vanishing product differentiation, customers are switching from product to product, from brand to brand, situation which affect growth of SME and increases uncertainty in the market. Hence this study was conducted in order to add to the available knowledge about the factors affecting customer satisfaction based on Tanzania SME

Study was directed to evaluate influence of perceived quality, perceived customer expectation and perceived value on customer satisfaction in SMEs settings. Primary data was collected from 120 respondents (100 SMEs clients and 20 SMEs owners) through questionnaire and interviews. Secondary data was collected by using documentary review method. Both quantitative and qualitative approaches of data collection were deployed; in which quantitative data was analyzed using Statistical Package for Social Science (SPSS) and qualitative data was collected using content and thematic analysis

According to this study, customers measure the quality of products by looking at performance of a product, product features, and reliability of a product, conformity with specifications, competence of a product, durability, serviceability, tangibility, responsiveness and empathy in service delivery.

The findings of this study indicated that perceived quality, perceived customer expectation and perceived value have significant association with customer satisfaction. Study recommend that SME owners should pay attention to ensure they sell quality product which meet customer expectation as increase after sell serves while avoiding champion of fake and poor product so as to gain customer loyalty and chances to growth.

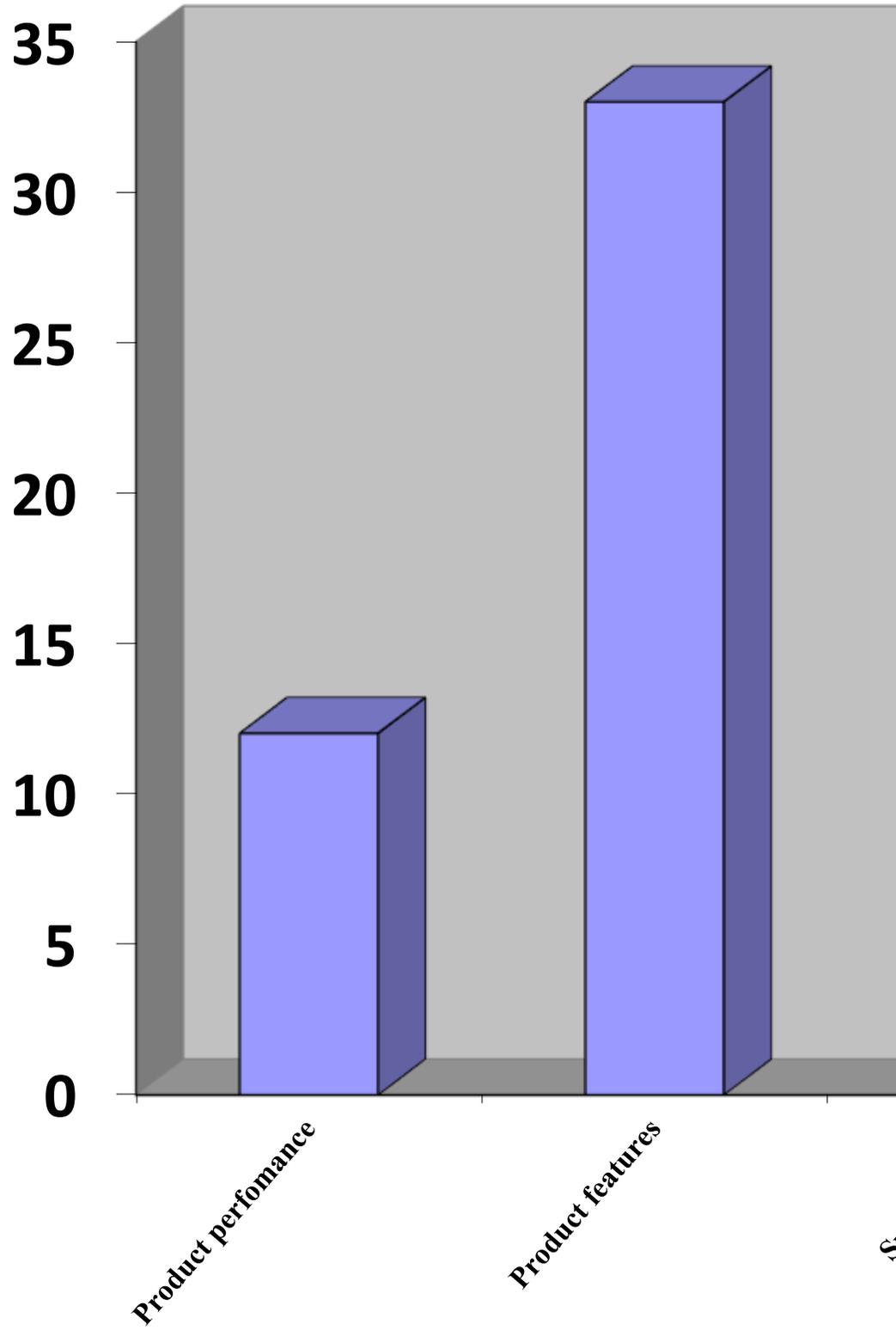
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CHAPTER ONE

INTRODUCTION

1.0 Chapter introduction

This chapter presents the information about the study background, problem statement, and the study objectives that included the general objective and specific objectives. Also, the chapter presents the significance of the study, research questions, scope of the study, limitation of the study and organization of the study.

1.1 Background to the study

Customer satisfaction is the art of increasing happiness to customers by listening and responding to their needs (Zhang et al., 2003). A satisfaction is the effect of several physical and psychological factors associated with satisfaction behaviors. Kotler (2000) argued that satisfaction is a personal feeling of pleasure or disappointment due to comparing the perceived product performance in association with his/her expectations. Therefore, enterprises or organizations can achieve customer satisfaction through satisfying the customers' needs and wants (Johnson and Fornell, 1991).

There are three outcomes that a customer may experience whenever he/she consumes a product (service or goods). First, performance may match expectations, leading to simple confirmation; secondly, performance may exceed expectations, leading to positive disconfirmation, that is, satisfaction and customer satisfaction and lastly; performance may fall below expectations leading to negative disconfirmation, that is, dissatisfaction and cognitive dissonance (Erevelles and Leavit, 1992; Solomon *et al.*, 2006).

Customer satisfaction is vital aspect of developing good relationships between SMEs and their customers. Previous studies such as Mittal & Kamakura (2001), Seiders, Voss, Grewal & Godfrey (2005), Helgesen (2006), Curtis, Abratt& Rhoades, (2011), and Okharedia (2013) revealed that customer satisfaction is an increase of profits through

repurchases and customer loyalty. Therefore, SMEs should ensure customer satisfaction because satisfied customers develop repurchase behaviors that increases profits and reduce market costs. Noel (2009) argued that, attracting new customers is five times costly than the cost of retaining an existing customer. Kline and Edwin (2006) share the same thinking that customer retention is less costly than attracting the new customers. Therefore, long term survival of business highly depends on building and maintaining favorable customer base as well as attracting new customers (Noel, 2009).

There are certainly important issues that SMEs should also consider; for instance, the fact that customer satisfaction is dynamic. This means that, what satisfies customers today may not satisfy them in a year's time. Therefore, in case small businesses fail to cope with the changing nature of customer satisfaction could lead to customer dissatisfaction. The influence of customer dissatisfaction in the organization can lead to reduced profits and therefore can lead to the downfall of a business enterprise (Tatikonda, 2013). The enterprises of companies should ensure proper collection of customer satisfaction feedback and effectively use of the information in order to ensure customer satisfaction through building good relationship with customers. Therefore, Small and medium sized enterprises should be informed about the benefits of developing relationships with their customers in order to ensure their survival in business for a long time (Tatikonda, 2013).

Small and medium enterprises (SMEs) is an important rising sector in developing countries like Tanzania due to its contribution to job creation, improving product, increasing exports, giving opportunities for entrepreneurship and innovation (Mahembe, 2011). In developing countries, SMEs contribute for 90% of all non-agricultural businesses, enhance job creation, and act as machinery for revenue generation both local and foreign revenue (OECD, 2004). SMEs have been regarded as an engine of socio-economic development in Africa as they contribute to 70% of Ghana's GDP and 92% of its businesses. Furthermore, SMEs sector contribute more than 91% of formal South African businesses and 70% of Nigerian Manufacturing sector (Frimpong, 2013). Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) pointed out that

ninety five percent (95%) of businesses in Tanzania fall under the category of Small and Medium Enterprises, which consists of approximately 3 million enterprises (Sitorus, 2017).

SMEs play a remarkable role to the country's economies and they are considered as the driving force to the economic development in many developing countries. Firstly, SMEs act as important elements in providing income to the local communities (Chen et al., 2004). Since they mostly use labor intensive technologies, SMEs not only reduce the problem of unemployment but also alleviate poverty because the people involved in SMEs generate income, which in turn it improve their living standards (Singh & Khanduja, 2010). Secondly; SMEs provide training for beginning entrepreneurs (URT, 2002). They act as a nursery or training ground for the larger firms of the future. SMEs encourage and teach people to mobilize the few resources they own for their livelihood(Authority, 2011). Thirdly; SMEs contribute to innovation which is very important for economic growth. By adopting innovative practices generated elsewhere or exploiting technological and commercial opportunities neglected by larger businesses, SMEs use such practices in creating new customized products and discovering niche markets (Baumol, 2002). Fourthly, SMEs help to diversify a country's economy and enable it to compete effectively in the global market.

Small and medium sized enterprises have been finding it increasingly difficult to satisfy customers enough so that they keep them. With increasing competition and vanishing product differentiation, customers have increasingly been switching from product to product, from brand to brand. It follows, therefore, that customer satisfaction has nowadays been a difficult objective to achieve for many businesses. Therefore it was important to have this study conducted for the purpose of examining the factors affecting customer satisfaction in SMEs in Tanzania.

1.2 Statement of the problem

The growth of SMEs is the key to success of people as individual and/or groups and to the growth of the country's economy. Customer satisfaction is the key to the growth and continued existence of the Small and Medium sized enterprises (Omoruyi & Mafini, 2016). Customer satisfaction is considered as an indicator that differentiates between a low or unsuccessful business performance and a high or successful business performance within the business environment (Bashir, 2013). Loyalty of customers can be easily attained when customers are satisfied, which in turn it improves the organizations performance (Terpstra & Verbeeten, 2014). The customers that are loyal always speak well about an organization; and the word of mouth is a key in bringing about a chain of customers (Subramanian et al., 2014).

In Tanzania, various studies have been done regarding customer satisfaction in other sectors such as tourism (Mrutu, 2008) and banking sector (Ruttu, 2015), but not in SMEs sector. Even for the studies which focus on SMEs sector, many of them address the performance or growth of SMEs (Kirama, 2014; Kamunge, Njeru and Tirimba, 2014) and credit availability among SMEs (Moshi, 2011; Mori & Richard, 2012; Nendakulola, 2015). This is the call for research as SME sector has high contribution to the employment creation and that customer satisfaction is the key for the survival of small and medium businesses (Tatikonda, 2013).

As such, the aim of this study was to examine the factors affecting customer satisfaction in SMEs sector in Tanzania. Customer satisfaction is a complex thing for a business person to attain especially to SMEs as the majority of owners of SMEs have little knowledge about business management skills and customer satisfaction (Virglerová et al., 2017). Customer satisfaction is dynamic, such that what satisfies customers today may not satisfy them in a year time (Tatikonda, 2013). Therefore, defining customers' perceived quality, perceived value and perceived customer expectation of goods and services is a complex thing for owners or managers of SMEs to do. Empirical evidence is needed to establish the magnitude of this problem. As for the researcher's knowledge, studies that

precisely report the factors affecting customer satisfaction in SMEs sector for the Chemba district council and even in Tanzania hardly hard to find, in other words, non- existent. This study was worthy conducting as it contributes to increase awareness of SMEs owners and managers about the importance of customer satisfaction and the way factors such as customers' perceived quality, perceived value and perceived customer expectations influence customer satisfaction.

1.3 Objectives

1.3.1 Main objective

To examine the factors affecting customer satisfaction in SMEs in Tanzania

1.3.2 Specific objectives

- i. To examine the effect of perceived quality on customer satisfaction in SMEs sector
- ii. To ascertain the effect of perceived customer expectation on customer satisfaction in SMEs
- iii. To determine the effect of perceived value on customer satisfaction in SMEs

1.4 Research questions

1.4.1 Main research question

What are the factors affecting customer satisfaction in SMEs?

1.4.2 Specific research questions

- i. What is the effect of perceived quality on customer satisfaction in SMEs?
- ii. What is the effect of perceived customer expectation on customer satisfaction in SMEs?
- iii. What is the effect of perceived value on customer satisfaction in SMEs?

1.5 Significance of the study

The study on factors affecting customer satisfaction in SMEs is very significant in job creation, poverty reduction and broadly its contribution to the sustainable economic

growth. The results of this study inform the SMEs owners about the importance of customer satisfaction to the growth and survival of their businesses. In addition, this study makes SMEs owners aware about the importance of collecting data on customer satisfaction in order to know about their stand, whether they are doing good in business or bad. Since many studies on customer satisfaction are too descriptive, this study adopted multiple regression so as to examine association between independent variables (perceived quality, perceived customer expectation and perceived value) and dependent variables (customer satisfaction). For this reason, this study is very significance as it will help SMEs and other stakeholders understand how much customer satisfaction change when perceived quality, perceived customers expectation and perceived value change.

1.6 Scope of the study

This study is limited on three variables that are assumed to have an effect on customer satisfaction. These variables include perceived quality, perceived customer expectation and perceived value. This study covers the two categories of perceived quality which are; product quality and service quality. The features of product quality include performance, features, conformity with specifications, reliability, durability, serviceability and fit and finish). On the other hand, the features service quality includes tangible, reliability, competence, responsiveness and empathy. Also, this study focuses on two categories of perceived customer expectation, which are expectation as prediction standard and expectation as ideal standard. Expectation as prediction standard is divided into two categories which are; expected standard and predictive standard. On the other side, expectation as ideal standard is divided into three categories which are; ideal expectation, desired expectation and normative expectation). Furthermore, this study is limited to six features of perceived value including product brand image, enterprise's image, employee trust, enterprise's trust, service quality and costs.

1.7 Limitation of the study

The limitations of this study that could affect the validity of this research were considered. There is a cross sectional design related limitations such as failure to determine whether

the cause started before the effect and the timing of the snapshot is not guaranteed to be representative. Another limitation is that due to use of questionnaire as a tool for data collection the responses depended on memory of respondents so memory variations among respondents may reduce the precision and accuracy when responding to the questions. Furthermore, there are some convenience sampling related limitations such as selection bias and influences beyond the control of the researcher.

Other limitations were time frame and financial issues which led to limited number of sample size.

The financial constraints and time which led to the use of limited sample this also sets another limitation

Much as in Sampling technique simple random sampling and convenience Sampling in the context of probability and non-probability sampling techniques respectively, some other Researcher may opt other probability and non-probability in selecting their sample sizes.

The research process in this study means determining the internal consistence of the data much as research process used in this study are pre-testing and piloting, other researchers are not obliged to do the same, they are at liberty to apply other research processes like reliability and validity and there for this sets also the other limitation of this study.

1.8 Organization of the report

This dissertation covers five (5) chapters, which are Introduction, the review of literature, methodology, Findings and discussions and, lastly Summary, Conclusion and recommendations. Chapter one presents the information about the study background, problem statement, and the study objectives that included the general objective and specific objectives. The chapter further presents the significance of the study, research questions and scope of the study. Chapter two provides the review the literature from distinctive researches so as to apprehend concepts and influences, which guided the development of the study. Chapter three describes the design of the research, study area, target population, sample size together with sampling technique that has been used by the

researcher. It also provides explanation on various techniques that were deployed by the researcher in collection and analysis of data. Chapter four presents the findings and discussions, which helped a researcher to obtain the Summary, Conclusion and recommendations in chapter Five.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This is part of literature review covers the definition of key concepts, theory related to customer satisfaction, conceptual framework, a short history covering the rise and development of SMEs and the importance of small and medium enterprises. Towards the end, the chapter also shows the studies on benefits of customer satisfaction and the review of Small and Medium Enterprise Development Policy (2002).

2.1 Theoretical literature review

This covered theory related to customer satisfaction and the main theory discussed in 2.1.2 was the American customer satisfaction index(ACSI)

2.1.1 Definition of key concepts

2.1.1.1 Small and Medium Enterprises (SMEs)

While there is no single definition of SMEs, the SMEs Development Policy in Tanzania refers to them as micro, small and medium enterprises that involve non-farm activities like manufacturing, commerce and services. The dialogue among authors is based on the concern about what constitutes a small and medium sized enterprise. Some of the authors the capital assets as the baseline of differentiation the size of an enterprise some used the number of skilled labor while others have used turnover. Other variables used by authors in defining small and medium enterprises include legal status of an enterprise as well as methods of production. Storey (1994) argued that defining SMEs by the baseline of size of the business is not realistic in some occasions because firms can be regarded as small in some sectors whilst in some other sectors there might be no small firms.

In Tanzania, the common characteristics of micro enterprises includes capital investment of up to 5.0 million Tanzania shillings and employment of up to 4 people, in which most of them are family members. SMEs in Tanzania have been categorized into: Micro businesses that employ 1 to 4 people with approximate capital of 5 million, small businesses that employ 5 to 49 people with capital ranging from 5 to 200 million, medium businesses that employ 50 to 99 people with capital ranging from 200 to 800 million and large businesses that employ above 100 people with approximate capital of 800 million Tanzanian shillings (SMEs Development Policy, 2003). This is illustrated in the Table 2.1 below:

Table 2.1: Categories of SMEs in Tanzania

Category	Employees	Capital Investment (Tshs)
-----------------	------------------	----------------------------------

Micro Enterprises	1—4	Up to 5million
Small Enterprises	5—49	Above 5million to 200million
Medium Enterprises	50—99	200million to 800million
Large Enterprises	More than 100	More than 800million

Source: URT-Small and Medium Development Policy (2003)

2.1.1.2 Customer satisfaction

According to Zhang et al. (2003) customer satisfaction refers to the art of bringing happiness to customers through listening and responding to their needs. Herrmann, Huber and Braunstein (2000) pointed out that in order to ensure customer satisfaction, the prime goal of the company should be to satisfy the needs of customers rather than the management needs. Matzler and Hinterhuber (1998) argued that it is more appropriate for a company to deliver to customers more than they request and being reliable in exceeding the customers' expectations. Through customer satisfaction, SMEs can have an increased cash flow, can increase the loyalty of customers and decrease operating expenses (Gosling, Shang and Marlow, 2005).

2.1.1.3 Perceived quality

Perceived quality involves the customer beliefs of the quality of service or product in terms of what they expect and the way they believe the quality of competing offerings. Therefore, if customers believe a certain business conducted by a certain business person is the best, then it is the best, other factors such as the critics and measure that a person put in place are not necessary (<https://www.brandingstrategyinsider.com>).

2.1.1.4 Perceived customer expectation

Zeithaml et al. (1993) suggested that customer expectations refers to the perception of customers about the products (Olson and Dover 1979), which act as reference points or standards that the performance of a product can be judged (Zeithaml et al., 1993). There are two approaches to customer expectations classification; “expectations-as-predictions

standard” and “expectations-as-ideal standard”. Expectations-as-prediction standard refer to possibilities of appearance of negative or positive events if the customer engages in certain behaviors (Oliver, 1981, cited in Zeithaml et al., 1993). Expectation as ideal standard is the act of desires or wants that a consumer has (Prakash, 1984).

2.1.1.5 Perceived value

This refers to evaluation of customers of the advantages of product or service in respect to its ability to achieve their expectations and their needs in relation with its colleagues. (<https://www.investopedia.com>). In relationship marketing, perceived value is an important element that drives marketing activities through trading the benefits and costs associated with the product (Roig et al., 2006). Perceived value is highly influenced by variables such as company image, service quality and costs and employee trust:

(i) Company image

According to Martenson (2007) the image of a company or enterprise is associated with the people’ beliefs about the company and the way it conducts its business. In this case, it is crucial for small and medium sized enterprises to build positive reputation to clients because are one of the important determinants of image of a company. Sometimes reputation and company image are used interchangeably according to literature (Balmer, 2001). A favorable image of an enterprise can boost sales as customers become satisfied and loyal (Pina *et al.*, 2006).

(ii) Service quality and costs

Cretu & Brodie (2007) have pointed out that perceptions of customer value is concerned about customers’ perception about the benefits that a product or service has in relation to the costs in terms of monetary or non-monetary price. This implies small and medium

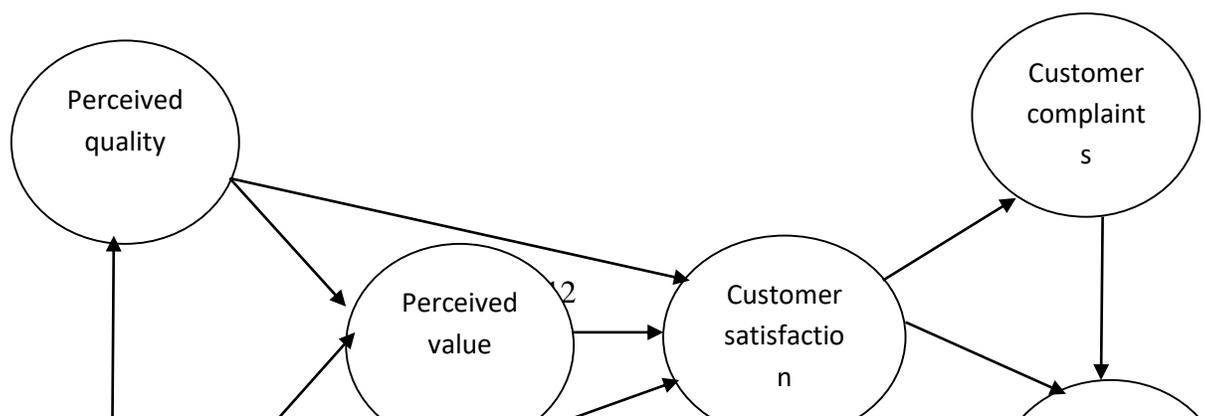
sized enterprises should consider service quality and price as the important variables in winning customer satisfaction.

(iii) Employee trust

Trust is very important in business and is considered as an important dimension in service marketing. According to Berry and Parasuraman (1991), trust is necessary in service marketing because customers are required to buy a service before experiencing it; hence it is important for an enterprise to build trust and ensure reliability in service delivery. By this customers will be certain that if they access service from a certain business it is reliable. Furthermore, according to Iverson, McLeod & Erwin (1996), the perception of customers about trust are linked to perceptions of customers about quality.

2.1.2 The American Customer Satisfaction Index (ACSI)

Different scholars have researched about customer satisfaction and some have provided theories, for instance; Grigoroudis & Siskos, (2004), Al-Nassar, Al-Rawwash & Alakhras (2011), Tung (2013), and Calleros, Rivera, Serrato, Delgado, Leon, Acevedo & Ramirez (2012). Apparently, the American Customer Satisfaction Index (ACSI) model has been widely applied among the models that spotlighted customer satisfaction. This model pointed out that there are three determinants of customer satisfaction which are; perceived quality, perceived customer expectations and perceived value (Tung, 2013). In this context, the researcher will be guided by this theory in developing a conceptual framework that will guide the researcher in examining the factors affecting customer satisfaction in the sector of Small and Medium Enterprises.



Source: Tung (2013)

Figure 2.1: The customer satisfaction model

2.1.2.1 Theoretical relationship between perceived quality and customer satisfaction

Perceived quality includes perceived quality of products and perceived quality of services that is indicated by valuation of customers' experience with business (Tung, 2013; van Vuuren, Roberts-Lombard & van Tonder, 2012). According to Tung, (2013), perceived quality has positive effect of customer satisfaction. The quality of products or services is realized by customers which in turn it satisfies customers (Wiid, 2014). The dimensions of perceived quality of products according to Garvin (1987) and cited by Kenyon, (2011) includes product features, performance, durability, serviceability and conformity with specifications, while the dimensions of perceived service quality include reliability, tangibility, responsiveness, competence and empathy.

2.1.2.2 Theoretical relationship between perceived customer expectations and customer satisfaction

Customer expectations include the standards that customers use to measure product or service performance (Machado, 2014). This includes the conformity to the anticipated performance level of product performance, whether the product meet the customers' wished or wants, or sometimes buyers need a seller to solve a precise need but the

customer does not know how; this is referred to as fuzzy expectation (Grönroos, 2007). Therefore, customers can be satisfied if their expectations about the product or service are met, whether the expectations are explicit or fuzzy.

2.1.2.3 Theoretical relationship between perceived value and customer satisfaction

Perceived value is the business concept which is more complex to define as it is used in different business contexts. For instance, Zeithaml et al. (2006, p. 527) argued that perceptions of customers about what is received (product or service) and what is given (price in terms of money or other payment models) is the real meaning of perceived value. Therefore it is a tradeoff between perceived quality of product or service and perceived costs. Therefore, if business owners fail to quantify the value of product or service and set a reasonable price it becomes so difficult for them to satisfy customers. Therefore, small and medium sized enterprises should consider setting the price of product or services that customers are willing to pay in order to ensure customer satisfaction. As indicated in the ACSI model in figure 2.1 above, customer satisfaction can either lead to customer loyalty or customer complaint. This means that, satisfied customers can become loyal while dissatisfied customers can be complaining. Perceived value has a role to play in customer satisfaction; hence customers can complain about the value of product or service or be satisfied with it and be loyal to business.

2.1.3 Conceptual framework

In respect to the American Customer Satisfaction Index model, this study came out with a conceptual framework that contains assumptions on how the independent variables (perceived quality, perceived customer expectation and perceived value) predicts the dependent variable (customer satisfaction). Firstly, it is assumed that customers' perceived quality is related to customer satisfaction. Perceived quality has two categories which are; product quality and service quality. The features of product quality include performance, features, conformity with specifications, reliability, durability, serviceability and fit and finish). On the other hand, the features of service quality include tangibility, reliability, competence, responsiveness and empathy. Secondly, it is assumed

that perceived customer expectation is associated with customer satisfaction. Perceived customer expectation is categorized into two; expectation as prediction standard and expectation as ideal standard. Expectation as prediction standard is divided into two categories which are; expected standard and predictive standard. On the other side, expectation as ideal standard is divided into three categories which are; ideal expectation, desired expectation and normative expectation). Thirdly, it assumed that customers' perceived value is related to customer satisfaction. The features of perceived value include product brand image, enterprise's image, employee trust, enterprise's trust, service quality and costs. Figure 2.2 illustrates the conceptual framework of this study.

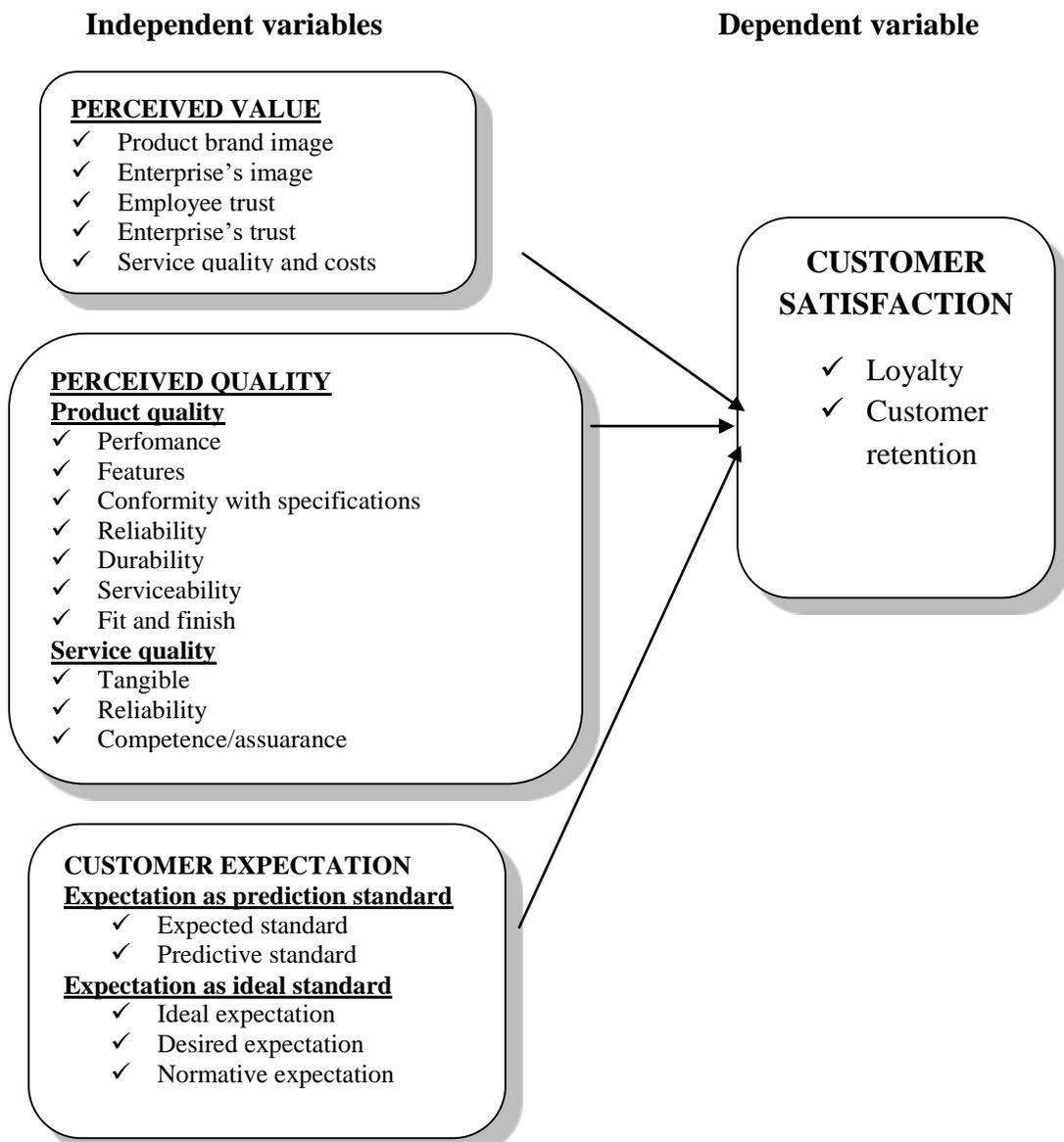


Figure 2.2: Conceptual framework

2.1.4 The rise and development of SMEs

Tanzania took important steps to political, economic and social reforms over the past 15 years to improve business environment, reduce poverty and improve economic growth. Employment creation in the country was lower than expected due to inadequate growth of the national economy, which provided an alternative for most of people to be engaged in entrepreneurship and small and medium enterprises (Mfaume and Leonard, 2004). Small and Medium Enterprise (SME) has emerged as the potential sector in developing countries to improve economic growth, improve income of peoples and alleviate poverty (Davidson, 2004).

The attempts to promote small industries in Tanzania started effectively in 1966 with the initiation of the National Small Industries Corporation (NSIC) under the National Development Corporation (NDC). Training production workshops to small industries was emphasized by NSIC, in which this was adopted and taken over by the Small Industries Development Corporation (SIDO) in 1973. The development of SMEs was also influenced by abundant contributions from development partners including donors and NGOs through influencing regulatory reforms. SIDO in collaboration with other development partners have also implemented, and continue to implement, grassroots skills training and micro-finance programs to encourage income-generating activities.

2.1.5 Importance of Small and Medium Enterprises

Small and medium enterprises play a great role in job creation, poverty reduction and economic growth as a whole (World Bank Group, 2004). The played by SMEs has been experienced not only in developing countries like Tanzania but also in developed

countries. China as an example, SMEs helped approximately 200 million people to come from extreme poverty (World Bank Group, 2004).

In Tanzania, Small and Medium Enterprises (SMEs) sector is one of the critical contributor to the country's long-term development as highlighted in the Tanzania Development Vision (TDV). SMEs play a remarkable role to job creation as well as strengthening the country's economy. The following are the summarized benefits of SMEs to people as individual or group as well as the whole country.

- i. SMEs act as important elements in providing income to the local communities (Chen et al 2004). Since they mostly use labor intensive technologies, SMEs not only reduce the problem of unemployment but also alleviate poverty because the people involved in SMEs generate income, which in turn it improve their living standards (Singh et al., 2010).
- ii. SMEs provide training for beginning entrepreneurs (URT, 2002). They act as a nursery or training ground for the larger firms of the future. SMEs encourage and teach people to mobilize the few resources they own for their livelihood (Authority, 2011).
- iii. SMEs contribute to innovation which is very important for economic growth. By adopting innovative practices generated elsewhere or exploiting technological and commercial opportunities neglected by larger businesses, SMEs use such practices in creating new customized products and discovering niche markets (Baumol, 2002).
- iv. SMEs help to diversify a country's economy and enable it to compete effectively in the global market

2.1.6 Customer satisfaction process

Ampol Consulting (2001) observes that, customer satisfaction process is an end to end planned, comprehensive, coordinated and a managed set of activities and interactions designed to achieve the highest possible customer satisfaction. The firm further identifies five steps of customer satisfaction process. The steps are

understanding customer expectations, promising customers, execution, and ongoing dialogue with customers and customer satisfaction survey. Understanding customer expectation is to know what a customer expects from a firm. A firm must work with customers to precisely learn what they expect. Promising customers on the other hand, is to set promises that can be kept. The purpose should be to exceed customer expectations rather than meet them. This is what satisfies customers because surprise is not something promised, yet delivered. The third step, execution, refers to providing products and services that meet customer expectations (Ampol Consulting, 2001).

The next step, ongoing dialogue, alludes conducting executive meetings, user group meetings, and all other forms of communication that give feedback on customer experience with the product. The last step, customer satisfaction survey, refers to event driven surveys to determine internal indicators of customer satisfaction (ibid).

2.1.7 Benefits of customer satisfaction

There are a number of benefits associated with customer satisfaction in different kinds of business. Different studies such as Boshoff (2014), Okharedia (2013), Helgesen (2006), Seiders, Voss, Grewal & Godfrey (2005), Curtis, Abratt & Rhoades (2011), and Cant & Van Heerden (2013) have been conducted and pointed out a number of benefits. The big one here is that, customer satisfaction is the cornerstone to customer loyalty and customer retention. For instance, Boshoff (2014) insisted that satisfied customer develop a habit of repurchase, they become loyal to the brand, which in turn start speak positively to other customers about the brand, this not only that enhance their retention but also they attract new customers through good word of mouth.

Markey, Reichheld and Dullweber (2009) pointed out that companies and other businesses should consider each purchase important and as an opportunity to recruit a business promoter, this is because if one customer is satisfied might be reason of bringing in new customers. This was amplified by Boshoff (2014) who argued that customer satisfaction leads to customer retention, this process increases business profit through decline of acquisition costs, attraction of new customers through a word of mouth of the existing

ones, free marketing offered by existing customers through the word of mouth, loyal and existing customers are less price sensitive compared to the new ones and it is less costly to serve the existing customers.

Customer satisfaction is very important because when one customer is satisfied will refer other potential customers to the business; hence it is more advantageous for business owners to ensure that each customer is satisfied. A dissatisfied customer talks badly about business and may cause a lot of damage to the business through his/negative word of mouth. For instance, Goodman (2006) on his study about customer complaint behavior during the 1980s pointed out important behaviors of satisfied and dissatisfied customers. His study was repeated by other authors in different countries worldwide and the results have been the same. From these findings Goodman developed the tip-of-the-iceberg phenomenon which is illustrated in Figure 2.3 below.

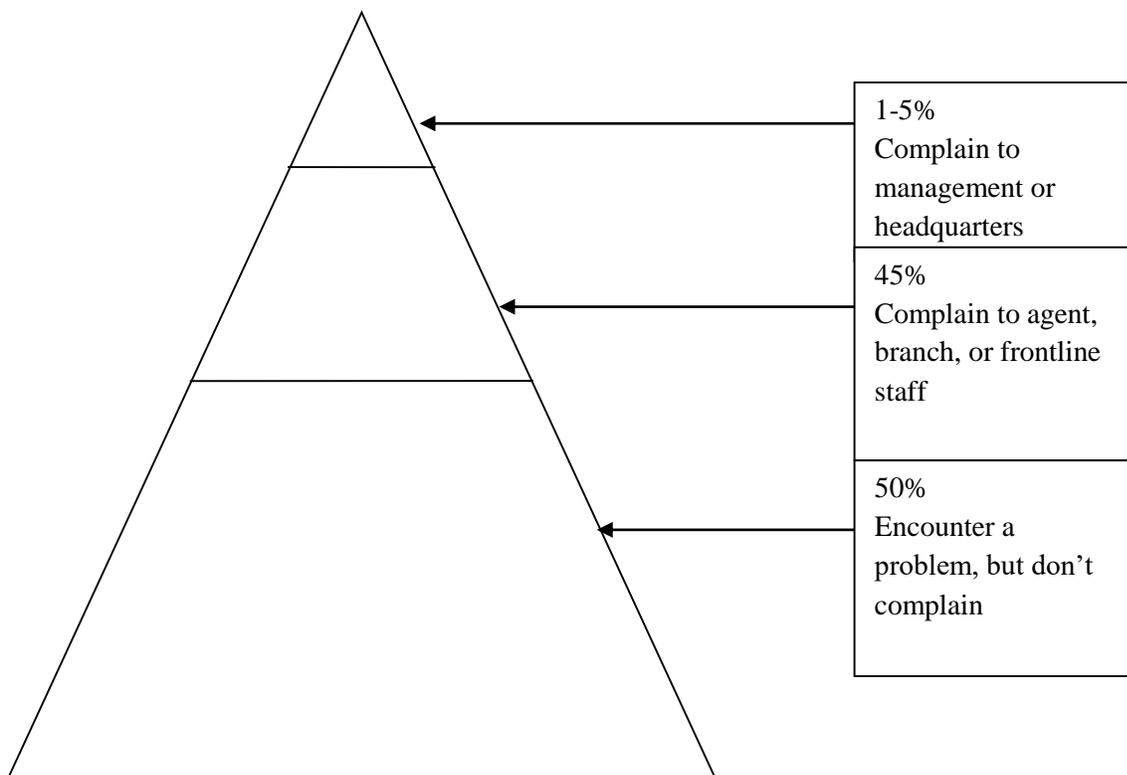


Figure 2.3: Tip-of-the iceberg phenomenon

From figure 2.3, it is evident that most customers (50%) encounter some problems but do not complain anywhere; this is the part of the iceberg which is below the surface. However, according to Goodman (1999) customers who complain are more likely to do business with the enterprise or organization again even if the complaints were not solved by the particular organization. Feedback from customers is important because without it the organization will never know if the customers are satisfied or not and will never take any action to solve its mistakes.

2.1.8 Small and Medium Enterprise Development Policy-2002

This policy was deployed for the purpose of promoting the creation of new small and medium sized enterprises and improving the existing ones in terms of performance and competitiveness so as to increase their participation and contribution to job creation, income generation and economic growth of Tanzania. The following are the aims of the policy:-

- i. Reviewing and reconsidering public policies and regulations that discriminate against or hinder the start-up, survival, formalization and growth of SMEs
- ii. Enhancing the growth of the sector
- iii. Identifying and assigning clear roles of key actors
- iv. Developing strategies that will facilitate provision of financial and nonfinancial services to SMEs
- v. Developing and institutionalizing public-private partnerships for SME sector development

2.2 Empirical literature review

Omoruyi and Mafini (2016) conducted a study that established the association between customer satisfaction and three input factors including product quality, product variety

and flexibility in small and medium enterprises mediated by supply chain management practices. Questionnaire method was used to collect quantitative data from 131 SMEs managers found in Gauteng Province, South Africa. Regression analysis was used to test the hypothesis. The findings of this study indicated that flexibility and product quality were the determinants of supply chain management practices. The findings also indicate that supply chain management practices significantly mediated the association between customer satisfaction and input factors including flexibility and product quality. This is similar to the current study because it spotlights the factors affecting customer satisfaction.

Fourle (2015) conducted a study on the practices that small and medium enterprises in South Africa use to measure customer satisfaction. This includes determining whether the South African SMEs collect data about customer satisfaction and how they do this. The findings of this study indicated that small and medium enterprises consider customer satisfaction as very important to them and most of them believe that their business are more friendly to customers and are more customer focused. The results of this study on customer feedback indicated that managers of SMEs in South Africa believe that customers are satisfied with their business. About the collection of customer feedback, the SMEs in South Africa collect information about customer satisfaction verbally on a monthly basis. The findings of this study implies that SMEs believe that collecting feedback on customer satisfaction is important. However, they do not use formal measures of customer satisfaction among clients and that they only get customer satisfaction feedback from customers verbally (Fourie, 2015). Similar to this study as it also spotlights customer satisfaction.

Kirama (2014) conducted a study that aimed to find out the factors determining performance of SMEs in Tanzania. Data were collected from 100 respondents including business owners, microfinance officials and government officials, in which convenience and purposive sampling techniques were used in sample selection. Data collection used in this study included interview and questionnaire and descriptive statistics was used to analyze quantitative data in which frequencies and percentage were determined. The

findings of this study indicated that performance of SMEs is influenced by internal, external and resource related factors. This study also revealed that SMEs face several challenges such as corruptions, poor security, competition among themselves, hawkers, improper record keeping and capital constraints (Kirama, 2014). The orientation of the study is similar to the current study as it also sought to indicate the performance of SMEs in satisfying customers.

Kamunge, Njeru and Tirimba (2014) conducted a study to establish the factors affecting the performance of small and micro enterprises (SMEs) traders at Limuru town market in Kiambu County, Kenya. Data were collected from 965 licensed SMEs and descriptive design was used to achieve the objectives of this study. Both quantitative and qualitative approaches of data analysis were used in this study. In respect to the findings, the study concluded that management experience and access to finance are the socio-economic factors that influence the performance of business in Limuru town market. Furthermore, access to infrastructure, access to business information and government policy and regulations are the other factors influencing the business performance. This study advised the government to offer basic business and financial management skills to entrepreneurs in order to build their capacity to making informed investment decisions (Kamunge et al., 2014). This is similar to current study as it also aimed to spotlight the performance of SMEs in satisfying customers.

Moshi (2011) conducted a study to assess the role of financial institutions on the success of SMEs in the Tanzania. Data were collected from 10 financial institutions including commercial banks, microfinance institutions and SACCOs. Also, 95 SMEs were randomly selected from the population of 93430 SMEs located in Dar es Salaam region. Questionnaires were used for data collection, whereby there were two sets of questionnaire, one for financial institutions and the second one for SMEs involved in this study. Data analysis method deployed was the statistical package for social sciences (SPSS). The study indicated that the financial support provided by financial institutions to SMEs is minimum, of which the owners or managers of SMEs highly depend on the

financial support provided by retained earnings or profit and funds from relatives or close friends. The study concluded that self-financing (retained earnings or profit) and funds from relatives or friends are the major sources of finance among owners and managers of SMEs as financial institutions have little financial support to SMEs. This is similar to the current study because customer satisfaction is important to the growth of SMEs like the way financial institutions are important to the growth of SMEs.

Ruttu (2015) conducted a study on factors influencing customer satisfaction in Tanzania banking sector. The study aimed at examining the factors influencing customer satisfaction in Tanzanian banking sector. The findings study indicated that factors influencing customer satisfaction in banking sector include effective customer care, banking environment, knowledge of employees and availability of quality products. Also, the study indicated that customer satisfaction in the banking sector increases customer retention, improve marketing sector, increases number of customers, increase customer loyalty and increases availability of products (Rutta, 2015). This is similar to current study as it also spotlights factors affecting customer satisfaction.

Mrutu (2008) conducted a study on factors influencing customer satisfaction in tourist hotels in Tanzania. The study investigated the factors influencing customer satisfaction in tourist hotels. This study included hotels found in city center and those located nearby the beach. A significant association between perceived quality, perceived prices and customer satisfaction was revealed by the findings of this study. In this context, perceived price and perceived quality are the factors influencing customer satisfaction in the hotel industry in Tanzania. The factor of location of a beach has a weak relationship with customer satisfaction in tourist hotels. Therefore, in order to meet customer satisfaction, is the study recommended that service quality should be ensured and the hotels should set reasonable prices in relation to the quality of service provided (Mrutu, 2008). This is similar to this study as the researcher meant to examine the factors affecting customer satisfaction.

The observations after passing through different literature, the little is known about customer satisfaction in SMEs, many previous studies have been conducted in other

business settings like banking sector. However, their findings can provide a prior knowledge before investigating the factors affecting customer satisfaction in SMEs setting. For instance, Farouk (2009) identified what he termed as critical factors for customer satisfaction and satisfaction for services. The author named the factors such as service availability, reliability, responsiveness, completeness and professionalism in service delivery as the factors affecting customer satisfaction in retail banking. Chavan and Ahmad (2013) identified service tangibility, convenience and availability, fulfillment, accuracy, empathy, responsiveness, promptness and personal assistance as important factors determining customer satisfaction and satisfaction in the banking industry.

2.3 Research gap

Data on “*factors affecting customer satisfaction in SMEs sector in Tanzania*” is still limited as the past studies related to Small and Medium Enterprises and customer satisfaction spotlighted other issues. For instance; many previous studies such as Kirama (2014) and Kamunge, Njeru and Tirimba (2014) concerned about the factors affecting the performance or growth of SMEs. Other studies such as Moshi (2011), Mori & Richard (2012); Nendakulola (2015) spotlighted the challenges faced by SMEs in accessing credit. Scholars who researched on customer satisfaction in Tanzania spotlighted other sectors. For instance Ruttu (2015) studied customer satisfaction in banking sector and Mrutu (2008) investigated the factors influencing customer satisfaction in tourist hotels. Therefore, empirical knowledge about the factors affecting customer satisfaction in SMEs is needed in Tanzania. There is no need of relying on the studies done outside the country such as Omoruyi and Mafini (2016), Fourle (2015) as we differ in social, political and economic environment. Furthermore, customer satisfaction is hard for SMEs to attain as most of the owners and managers have little knowledge about business skills and customer satisfaction. Therefore, this study was worthy conducting as it increases awareness of SMEs on the importance of customer satisfaction and the ways to attain customer satisfaction.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter addresses the methods and research processes that governed in this research. The chapter covers different aspects including study design, study area, study population, sample and sampling procedures, data collection methods and instruments, measurement of variables, plan for data analysis, reliability and validity.

3.2 Study design

According to Aaker et al. (2002), a research design is the detailed blue print used to guide a research study towards its objectives. This study used a cross sectional study design in examining the factors affecting customer satisfaction in SMEs. This design is also suitable as it enabled the researcher to conduct this study in multiple units in a short period of time like a snapshot.

3.3 Study area

Chemba district council was the main study area that this study was conducted. The study was conducted to the randomly selected small and medium enterprises found in Chemba district. In particular, the specific areas that were targeted include famous markets, bus stand and business centers where SMEs were found. This included places like Mrijo, Soya, Kwamtoro and Chemba madukani. These areas were selected to be the area of the study because; they are the confined areas to the population of interest in the study. Conducting

the study in this area was more cost effective to the researcher and manageable in terms of resources. Also, it was easy to get owners and customers of small and medium enterprises at the same time. In addition, the study like this has never been conducted in the area, therefore, an empirical evidence regarding customer satisfaction in SMEs sector was needed.



Chemba Dc- Amazing grace Lodge



Mrijo Markets



Kwamtoro Shop

3.4 Target population

According to Kothari (2004) population is the collection of individuals or objects known to have similar characteristics. The study population in this study comprised of the well-defined collection of individuals who have similar characteristics. This included owners of SMEs and their clients who pass by the business places seeking to buy goods and services. This study population was reliable because they provided relevant information to the researcher that was useful to the accomplishment of study objectives.

3.5 Sample size and Sampling technique

3.5 .1 Sample size

The sample size of 120 respondents enabled the researcher to gather resourceful data regarding the factors affecting customer satisfaction in small and medium sized enterprises. This sample size of 100 respondents (sampled clients) emanates from the formula developed by Slovan (2007) whose procedures are stipulated below. In order to have in depth information about customer satisfaction in SMEs, 20 owners of SMEs were purposely sampled.

$$n = N / (1+N (e)^2)$$

Whereas;

n = sample size

N = Population of the study

e = Error of prediction

N = 235,711

e = 0.1

n =?

Thus,

$$n = 235,711 / (1 + 235,711(0.1)^2)$$

$$n = 235,711 / 1 + 235,711 (0.01)$$

$$n = 235,711 / 1 + 2357.11$$

$$n = 235,711 / 2358.11$$

n = 99.95

n=100

3.5.2 Sampling techniques

Both probability and non-probability sampling techniques were used to select respondent samples for the study. Through probability sampling technique all samples have equal chance of being selected. This is different from probability sampling as the sample selection is based on the researcher's own judgment. Therefore there is no equal chance of samples being selected. Convenient sampling technique and simple random sampling technique were used for sample selection in this study.

3.5.2.1 Simple random sampling

This is a type of probability sampling whereby every member of a statistical population subset has an equal probability of being chosen (Andale, 2014). In this study simple random sampling was used to select owners of SMEs and their customer in Chemba district council. Simple random sampling was chosen because it can be easily used and applied when population is small, all respondents have equal chance of being chosen hence no bias and there is no need of prior knowledge of the true composition of the population (Kothari, 2004).

3.5.2.2 Convenience sampling technique

Convenience sampling is a technique that takes total of participants in the sample based on the ease of access (Kothari, 2004). Convenience sampling technique was used to select owners of SMEs and their clients in the mentioned famous places such as Mrijo, Soya, Kwamtoro and Chemba madukani. This sampling technique was suitable for this study because it enabled the researcher to sample owners and clients of SMES based on their availability. Apparently, this study was conducted during working hours, whereby the mentioned respondents were busy, it was the time that owners of SMES are busy doing

business and clients busy looking for appropriate goods and services to buy. Hence, those respondents with time to participate in this study were included. This study did not mean to interfere with business, of which this was the rationale of using convenience sampling technique.

3.6 Research processes

The research processes refer to the activities that you have to undergo when conducting systematic research. It consists of series of actions or steps necessary to effectively carry out research and the desired sequencing of these steps. Among these step is research analysis in which therein quantitative and qualitative research. Therefore, it also involved assessing the internal consistency instruments for data collection.

3.6.1 Pretesting

Pretesting is carried out in order to detect errors in language relevance, ambiguity or words and discover possible imperfection available in measurement of variables. Pretesting also provides a warning in advance on how or why the research may fail by pointing out the areas that research protocols were not feasible or not followed. In qualitative research, pretesting involves interviewing a group of individuals with identical characteristics to the population under study prior to the actual data collection process. This also helped to introduce the ways data would be collected and the type of study materials would be used in the study. This provided a chance for revision of questions included in data collection materials such as interviews and questionnaire and make sure that the questions included are relevant and do not make respondents uncomfortable. In pretesting, it was conceived better to include all people involved in data collection process, including research assistants (Kothari, 1990). As such, the interview guide was pre-tested before the actual data collection in order to ensure a collection of reliable information.

3.6.2 Pilot study

Pilot testing is the art of testing the data collection tools prior to data collection in order to determine if the tools are relevant in the real sense by testing it first to few respondents mainly 10% of respondents. It is important because it ensures that respondents understand the questions and all respondents have the same understandings of the questions. Pilot testing was conducted in order to see if any questions make respondents feel uncomfortable. In addition, pilot study was conducted in order to find out how long it takes to complete the survey in real time. Due to the fact that pilot testing was deployed in this study in order to make sure that everyone understood data collection instrument in the same way, the representative public opinion survey was conducted. Therefore, people with different characteristics were included, for instance both old and young people, well-educated and less educated and so on. At a minimum, several people from each subgroup were involved so their views can be confirmed by others (Kothari, 1990).

3.7 Data collection methods

In this study, two types of data collection methods were used in gather reliable information regarding this study. This includes primary data collection method and secondary data collection method.

3.7.1 Primary sources

Primary data are those data that are collected directly from the field for the first time and afresh. These data are collected from various sources during the study. The basic methods (tools) which were employed in collecting primary data are questionnaire and interviews. Primary data was generated by means of well-structured questionnaire which were given to respondents of this study and in depth interview of the sampled owners of SMEs.

3.7.1.1 Questionnaire

In this technique a set of written questions were prepared and distributed to the

respondents of this study. Both open and closed ended questions were prepared to achieve the research objectives. The respondents were required to answer the questions accordingly, guiding the respondents to choose appropriate responses in closed ended questions and provide explanations in open ended questions. This type of primary data collection method was suitable because it is less costly and can enable the researcher to reach large number of respondents within a short period of time.

3.7.1.2 Interview

In depths interviews were conducted by the trained researcher who is fluent in English and Swahili so as to get detailed information concerning factors affecting customer satisfaction in SMEs sector in Tanzania. The target respondents for in depth interview were the owners of SMEs found in the selected study area.

3.7.2 Secondary data

This includes data that were collected and mostly written and analyzed in previous studies conducted by other authors. The researcher collected secondary data through documentary review method.

3.7.2.1 Documentary review

This data collection method enabled the researcher to gather information from documentary sources. Documentary sources reviewed in this study include the materials written by different scholars concerning the topic under study, books, reports as well as journals. In this context, the researcher gathered all materials concerning customer satisfaction in SMEs in Tanzania and overseas. This includes books, journals and research reports that were collected physically in hard copies or through internet.

3.8 Data process and analysis

3.8.1 Measurement variables

In collecting data, measurements are of utmost importance. Measurements that can change in their values are called VARIABLES whereas there are other attributes which do not change at all times. All in all, it is evident that variable is what we measure, control or manipulate in the research study. The variables were measured in a form of likert scale,

where by respondents were required to cite an alternative response from “strongly agree”, “agree”, “neutral”, “strongly disagree”, “disagree” list for the variables included in this study. Table 3.1 presents the variables and their measurements.

Table 3.1: Variables and Measurements

Domain	Variable	Measurement
Perceived quality	Performance	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that performance of a product affects customer satisfaction
	Features	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that product features affect customer satisfaction
	Conformity with specifications	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that conformity with product specifications affect customer satisfaction
	Reliability	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that reliability of product or service affects customer satisfaction
	Durability	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that durability of a product affects customer satisfaction
	Serviceability	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that product serviceability affects customer satisfaction
	Tangibility	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that service tangibility affects customer satisfaction
	Competence	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that competence in service provision affects customer satisfaction
	Responsiveness	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that responsiveness in service provision affects customer satisfaction
	Empathy	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that empathy in service provision affects customer satisfaction
Perceived customer expectation	Expected standards	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that selling the product or service that meet the expected standard of customers affects customer satisfaction
	Predictive standards	<ul style="list-style-type: none"> ▪ Whether respondents agree or disagree that meeting the customers’ anticipated

		performance level affects customer satisfaction
	Ideal expectation	<ul style="list-style-type: none"> Whether respondents agree or disagree that selling the product that meets the customers' wishes affects customer satisfaction
	Desired expectation	<ul style="list-style-type: none"> Whether respondents agree or disagree that selling the product that meets the customers' wants affects customer satisfaction
	Normative expectation	<ul style="list-style-type: none"> Whether respondents agree or disagree that normative expectation affects customer satisfaction
Perceived value	Product brand image	<ul style="list-style-type: none"> Whether respondents agree or disagree that product brand image affects customer satisfaction
	Enterprise's image	<ul style="list-style-type: none"> Whether respondents agree or disagree that enterprise's image affects customer satisfaction
	Employee trust	<ul style="list-style-type: none"> Whether respondents agree or disagree that employee trust affects customer satisfaction
	Enterprise's trust	<ul style="list-style-type: none"> Whether respondents agree or disagree that enterprise's trust affects customer satisfaction
	Service quality	<ul style="list-style-type: none"> Whether respondents agree or disagree that service quality affects customer satisfaction
	Cost	<ul style="list-style-type: none"> Whether respondents agree or disagree that cost of product or service affects customer satisfaction

3.8.2 Plan for data analysis

The study used a mix of qualitative and quantitative techniques in the analysis of data, of which Statistical Package for Social Science (SPSS) was used to analyze quantitative data while thematic and content analyses were used to analyze qualitative data. Descriptive statistics was derived, of which frequencies and percentages in each variable were determined. In order to make the results be more scientific, multiple regression model was employed in order to determine the magnitude of association between independent and dependent variables.

3.9 Ethical considerations

Ethical issues in this study, have involved the acquisition of research permits and assuring confidentiality of participants. Privacy was considered among participants and all data collected, were stored carefully so as to protect them from unauthorized persons. Participants were informed about the study activities including taking photographs and voice recording, so that they could freely consent to participate in the research or not.

A Research clearance letter from the Vice Chancellor of the University was submitted to the District Administrative Secretary of Chemba district council, who in turn, wrote to all people concerned including market and stand managers to permit my research to all other lower levels.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

In this chapter the findings are presented and discussed according to the specific objectives that are analyzed, in line with the effect of perceived quality, perceived customer expectation and perceived value on customer satisfaction in Small and Medium Sized Enterprises. To start with, the characteristics of respondents are presented and discussed.

Thereafter, the chapter presents the findings of the main themes under objectives and discussion of the same.

4.2 Characteristics of respondents

Six variables were included in order to demonstrate the characteristics of respondents in this study. These variables include age, sex, and education level, type of business, business experience and monthly turnover. For the record, this study included owners of small and medium sized enterprises and their customers.

4.2.1 Age

Age was considered important due to the fact that individual's attitudes and perceptions are likely to be influenced by age groups as peers. Therefore, individual' perceptions towards the quality, expectations and value of the product might be different depending to their age. Age has also been linked with customer satisfaction, this means that differences in age leads to differences in customer satisfaction. For instance, Sivesan and Karunanithy (2013) in their study revealed that age has significant association with customer satisfaction.

Among the clients participated in this study, thirty six percent were aged between twenty six years old and thirty three years old. This was followed by thirty percent who were between thirty four years and forty one years old. Twenty four percent of the sampled clients were between the age of eighteen and twenty five followed by eight percent who were aged between forty two and forty nine and two percent who were above forty nine.

On the side of SME owners, majority (45%) were aged between twenty six and thirty three, followed by twenty percent with the age between eighteen and twenty five years old. Fifteen percent of the sampled SMEs owners were aged between forty two percent and forty nine percent, while ten percent were aged between thirty four and forty one and ten percent were aged above forty nine years old, these findings aimed to describe sampled people of different ages since age has an effect on customer satisfaction.

Table 4.1: Age

Clients of SME		
Age	Frequencies	Percentages
18-25	24	24
26-33	36	36
34-41	30	30
42-49	8	8
Total	100	100
Owners of SMEs		
Age	Frequencies	Percentages
18-25	4	20
26-33	9	45
34-41	2	10
42-49	3	15
Above 49	2	10
Total	20	100

Source: Field data (2024)

4.2.2 Respondents' Sex

Sex was considered important due to gender relations' influence on various practices in a given social setting. Male's and Female's perceptions, ideas and influencing factors are likely to be different. Therefore, the way a male customer can be satisfied might be different from the satisfaction of a female customer. Empirical evidence from previous studies suggests that sex leads to differences in customer satisfaction. For instance, Sivesan and Karunanithy (2013) established that, sex is significantly associated with service quality which in turn increases customer satisfaction.

In this study, sixty one percent of the sampled clients were female while male respondents on the side of clients were thirty percent. On the side of SME owners, male respondents were sixty percent while female respondents were forty percent. And this aimed to consider both genders since different sex has an effect on customer satisfaction.

Table 4.2: Respondents' Sex distribution

Clients of SME

Age	Frequencies	Percentages
Male	39	39
Female	61	61
Total	100	100
Owners of SMEs		
Age	Frequencies	Percentages
Male	12	60
Female	8	40
Total	20	100

Source: Field data (2024)

4.2.3 Education level

Education level was an important variable be spotlighted in this study because there are some differences in choices and tastes of products depending on people' education level. Therefore customer satisfaction might also be influenced by the level of education. For instance Metwally stated that *“as the customer education level differs the customer expectations would be different, that would create some challenges on satisfying him”*

This study spotlighted the education level of SMEs owners and their customers included in this study. Forty six percent of the clients of SME participated in this study had secondary education, twenty seven percent had primary education, twenty two percent had college/university education while five percent had no formal education. On the other side, forty five percent of SMEs owners interviewed in this study had secondary education; thirty five percent had primary education, fifteen percent had college/university education and five percent had no formal education.

Table 4.3: Education level of respondents

Clients of SME		
Education level	Frequencies	Percentages
No formal education	5	5
Primary	27	27
Secondary	46	46
College/University	22	22
Total	100	100
Owners of SMEs		

Education level	Frequencies	Percentage
No formal education	1	5
Primary	7	35
Secondary	9	45
College/University	3	15
Total	20	100

Source: Field data (2024)

4.2.4 Type of business

According to Prachi (2018), there are four types of business; this includes service business, manufacturing, merchandising and hybrid business. The types of business experienced in this study include service business, merchandising business and manufacturing business. Merchandising business involves the procurement of goods from manufactures or wholesalers at a low price and selling it at a higher price to make profit. In this study, sixty percent of SME owners were engaged in merchandising business such as retail shops, hardware, spare parts, etc. Service business involves the performance of activities with professional skills and expertise to earn money through customer satisfaction. In this study thirty percent of sampled SMEs owners were engaged in service businesses such as saloons, stationery, food vendors etc. Manufacturing or production business involves making profit through production or creation of goods from raw materials in such a way that it derives some utility to the consumer. The findings of this study indicate that ten percent of the sampled SME owners were engaged in production business specifically carpentry and tailoring. These findings are as summarized in table 4.4.

Table 4.4: Type of business

Variable categories	Frequencies	Percentage
Trade	12	60
Service	6	30
Production	2	10

Total	20	100
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Source: Field data (2024)

4.2.5 Business experience

Business experience was considered in this study because the experienced ones in business were expected to provide reliable information regarding the factors affecting customer satisfaction in small and medium enterprises. The findings on business experience indicated that; thirty five percent of the sampled SME owners had an experience of five years and below, followed by thirty percent with business experience between six and ten years. Twenty percent of the SME owners who participated in this study had an experience of eleven and fifteen years, while fifteen percent had an experience above fifteen years (See table 4.5).

Table 4.5: Business experience of SME owners

Variable categories	Frequencies	Percentage
Less/equal to 5	7	35
6-10	6	30
11-15	4	20
Above 15	3	15
Total	20	100

Source: Field data (2024)

4.2.6 Monthly turnover

The variable of income level was included in this study because previous studies linked income level with customer satisfaction. For instance, Sivesan and Karunanithy (2013), in their study, they revealed that income level is significantly associated with customer satisfaction. The findings on monthly turnover of SMEs included in this study demonstrate that, thirty five percent earn 200,001-300,000 shillings per month, followed by twenty percent who earn 300,001-400,000 and above 400,000 shillings respectively. The findings

also revealed that fifteen percent earn less/equal to 100,000 per month, while ten percent earn 100,001-200,000 shillings per month.

Table 4.6: Monthly turnover SMEs

Variable categories	Frequencies	Percentage
Less/equal to 100,000	3	15
100,001-200,000	2	10
200,001-300,000	7	35
300,001-400,000	4	20
400,001 and above	4	20
Total	20	100

Source: Field data (2024)

4.3 The effect of perceived quality on customer satisfaction in SMEs

In this study, multiple regression analysis was run in order to determine whether perceived value influence customer satisfaction in Small and Medium Enterprises. The results of this study indicated that there is a significant relationship between perceived quality and customer satisfaction in SMEs sector ($p=000'$). Also, Pearson correlation analysis demonstrated a strong positive influence of perceived quality on customer satisfaction ($r=0.959$) (See table 4.7). In addition, the results of this study indicated that perceived quality has a positive relationship with customer satisfaction as it significantly increases customer satisfaction by 0.055 times (See table 4.8). This is consistent with the findings of Mrutu, (2008) that found a significant association between perceived quality and customer satisfaction. The issue of perceived quality is very important variable for a customer to be satisfied, however, customers have different ways of defining the quality of a product. When pressed further, one owner of SME had the following to say:

there is no doubt that selling quality products leads to customer satisfaction, most of the customers need quality products, however, every customer has his/her own definition of a quality product, some look to the durability, some customers are looking to the style or brand, for instance to the food products some look to the place where the product came from in order to determine its quality such as rice from Ifakara or Kyela etc. Therefore it is our duty to sell quality products to customers

and convince them that the product you sell is quality in order to satisfy them.

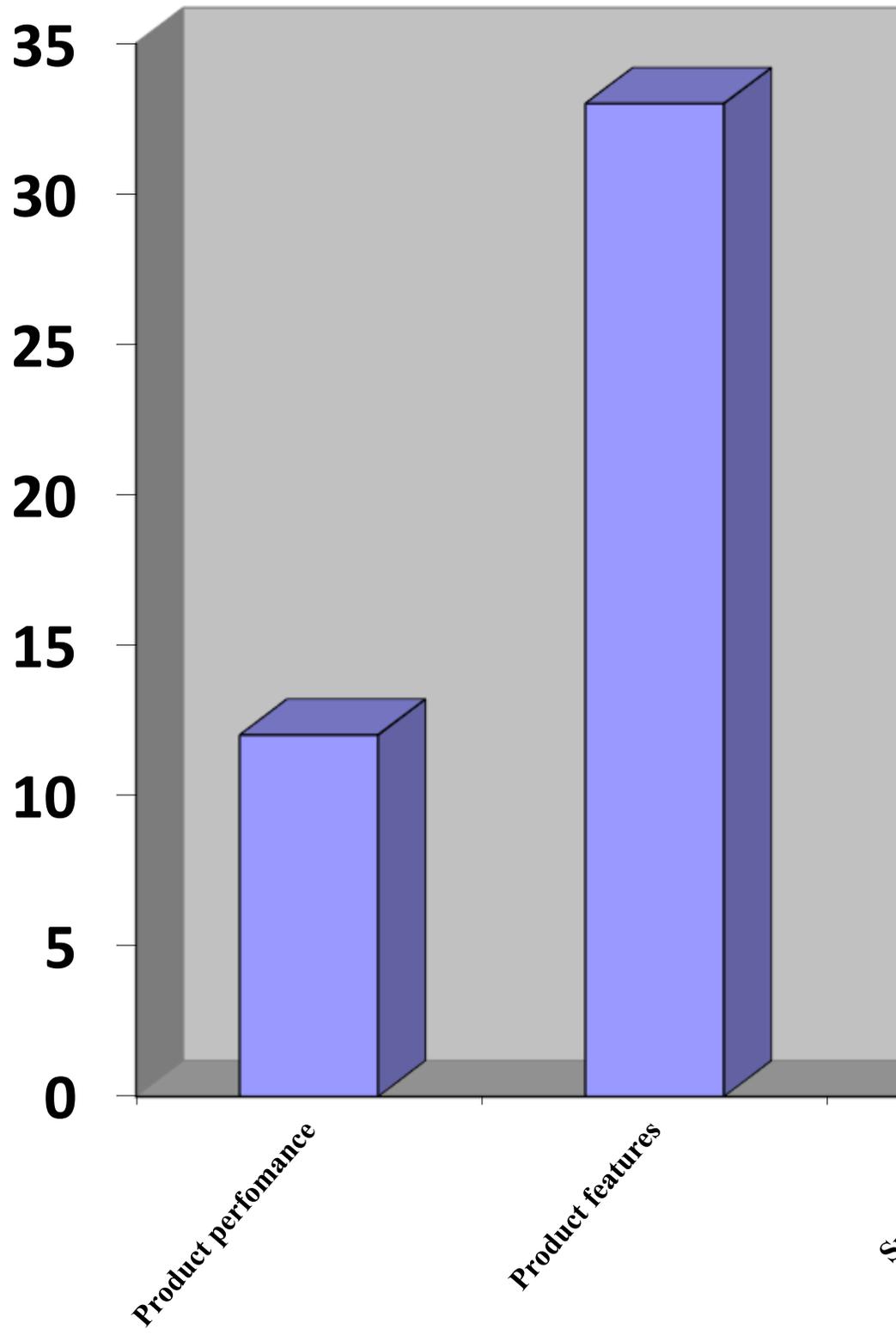
Table 4.7: Correlations

		Customer satisfaction	Perceived quality	Perceived customer expectation	Perceived value
Customer satisfaction	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	100			
Perceived Quality	Pearson Correlation	0.959	1		
	Sig. (2-tailed)	0.000			
	N	100	100		
Perceived customer expectation	Pearson Correlation	0.963	.987	1	
	Sig. (2-tailed)	0.000	0.000		
	N	100	100	100	
Perceived value	Pearson Correlation	0.999	.968	.972	1
	Sig. (2-tailed)	0.000	0.000	0.000	
	N	100	100	100	100

Source: Field data (2024)

To supplement the findings, descriptive statistics including frequencies and percentage was used to indicate which perceived quality variable influences their customer satisfaction the most. One the side of perceived quality of goods, the variables such as product performance, product features, conformity with specification, durability and serviceability were considered. The same was required on the perceived service quality as respondents were required indicate whether they are highly satisfied by reliability,

tangibility, competence, responsiveness or empathy in service delivery. These findings are illustrated in figure 4.1 and 4.2.



Source: Field data (2024)

Figure 4.1 Perceived quality of good

From figure 4.1 above, descriptive findings indicated that, 33% of customers are satisfied by product features, followed by 26% who are more satisfied with product durability, 24% are satisfied with products that are conformity with specification, 12% are satisfied with product performance and 5% are satisfied with product serviceability.

4.3.1 Product features

The findings of this study indicated that customers are more satisfied with product features (33%); therefore, in order to ensure customer satisfaction, SMEs should consider selling the products that have features that are more attractive to customers. This is in line with the findings of Mohammed *et al.* (2017) who discussed that small and medium enterprises are selling products with different features, for instance a shop that is selling mobile phones, a business man may satisfy customers by selling the mobile phones with features that are more attractive to customers available in place. Even for manufacturing businesses, carpentry for instance, it is more advantageous for carpenters that are more innovative and design the product features that are more attractive to customers.

4.3.2 Durability

The findings of this study revealed that, 26% of customers are satisfied with product durability. If this is the case, SMEs should ensure that the products available in their shops are durable in order to ensure customer satisfaction. This is consistent with the findings of Garvin (1987) and cited by Kenyon (2011), whose article pointed out that customers are satisfied with durability of products over time, so it is important for SMEs to ensure that the products that they produce or sell in their shop meets the quality of durability.

4.3.3 Conformity with specifications

Selling the products in accordance with the buyers' specifications is vital in the context of winning customer satisfaction. This is because the findings of this study indicated that

24% of customers are satisfied with the products which are conformity with their specifications. This is consistent with the findings of Kenyon (2011) who demonstrated that most of customers have certain specifications before buying a product, or some of the customers buy products through orders. That makes it important for SMEs to sell the product according to the specifications in order to win customer satisfaction.

4.3.4 Product performance

It is important for SMEs to sell the products that perform well, for instance the electronic products such as televisions, mobile phones, blending machines and others. This is because the findings of this study revealed that 12% of customers are satisfied with product performance, therefore, in order to satisfy and win more customers, SMEs should consider selling the products that perform well in the context of functionality. This is in line with the findings of Mohammed *et al.* (2017) who in their study revealed that product performance leads to customer loyalty through customer satisfaction, and the performance of the product is based on its functionality. For instance, for mobile phone products, the smart phones have been accepted by customers worldwide due to its performance. Through a mobile phone one can use internet for downloading scholarly articles, use camera to take photos, take calls, messaging and so on. This confirms that, the SMEs nowadays are competing to satisfy customers through selling mobile phone products that have good performance that can attract more customers.

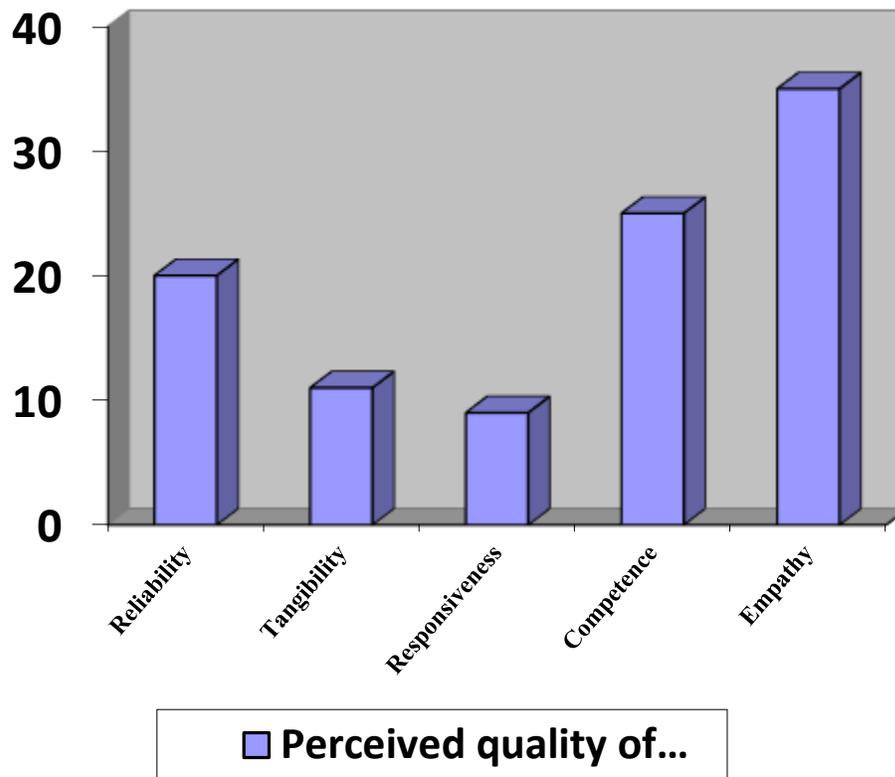
4.3.5 Product serviceability

Selling the products that are serviceable in case they incur some problem is important for small and medium sized enterprises. The findings of this study indicated that 5% of customers are satisfied with the products that are serviceable in case they incur some problems. For instance the mobile phone products like TECNO, one respondent insisted that:

It is so easy and not costly to get spares for TECNO mobile phones than other phone brands, therefore I prefer TECNO because it is easier to

service it in case some features does not work, for instance display, charge system, battery and so on.

This is in line with the findings of Garvin (1987) who revealed that customers are more satisfied with products that can be serviced easily because not all customers are able to buy a new product in case the old one has incurred some problems.



Source: Field data (2024)

Figure 4.2 Perceived quality of services

4.3.6 Empathy in service delivery

It is important for small and medium enterprises to ensure empathy in service delivery especially for service oriented businesses like restaurants. This is because the findings of this study revealed that 35% of customers are more satisfied with empathy in service delivery. This is consistent with the study of Parasuraman et al. (1985) and cited by

Kenyon (2011) which pointed out that empathy in service delivery is among the important dimensions of service quality. Therefore, it is important for SMEs to ensure empathy in service delivery; this applies mostly to social services like health care delivery, as some of the hospitals are privately owned.

4.3.7 Competence

Building good reputation in ensuring competence in service delivery is vital for ensuring customer satisfaction in small and medium sized enterprises. This was proved by the findings of this study as 25% of customers are more satisfied with service provided with high competence. According to Kenyon (2011) competence is one among the important dimension of service quality, therefore, SMEs should ensure competence in service delivery in order to satisfy customers.

4.3.8 Reliability

Small and medium sized enterprises should ensure consistency in delivering reliable service to customers in order to ensure customer satisfaction and win more customers. This is amplified by the findings of this study that indicated that 20% of customers have revealed to be satisfied with reliable service delivery. This is consistent with the findings of Kenyon (2011) who revealed that customers are satisfied with reliability of service in each time they consume a service. Therefore, it is more advantageous for SMEs to ensure reliability in service delivery, not this time a customer receive a good service, tomorrow he/she received bad service, this minimize the assurances, customer need assurance that the service is reliable.

4.3.9 Service tangibility

McDougal and Snetsinger (1990) define tangibility as the extent that a service or product provides a concrete image. Therefore, tangibility have both physical and mental components, in which physical components includes customer' examination and evaluation before purchasing a service and mental components involves customer' ability to grasp mentally what they will receive if they purchase the service. It is important for

SMEs to ensure service tangibility in order to satisfy customers, as the findings of this study revealed that 11% of customers are satisfied with service tangibility prior to service purchasing.

4.3.10 Responsiveness

It is critical for small and medium sized enterprises to have willingness to help customers and provide prompt services in order to win their satisfaction. This is amplified with the findings of this study as it was revealed that 9% of customers are satisfied with service responsiveness. This was also insisted by Kenyon (2011) that responsiveness is an important variable in ensuring customer satisfaction, this is because most of customers know what they want. Therefore, it is an opportunity for SMEs to ensure responsiveness in service delivery.

4.4 The effect of perceived customer expectation on customer satisfaction in SMEs

Multiple regressions was used to examine the effect of perceived customer expectation on customer satisfaction in SMEs. The relationship between perceived customer expectation and customer satisfaction was measured so as to establish whether meeting customer expectation by small and medium sized enterprises has an influence on customer satisfaction. The findings of this study indicate that perceived customer expectation is significantly associated with customer satisfaction ($p=0.000$). In addition, it was revealed that perceived customer expectation has a positive influence on customer satisfaction ($r=0.963$) (See table 4.7). Furthermore, perceived customer expectation has a positive relationship with customer satisfaction, whereby customer satisfaction increases by 0.106 times for every effect of perceived customer expectation (See table 4.8). This is in line with the findings of Machado, (2014) that revealed that customers through expectations can measure the performance of the products or services delivered to them, hence, if an enterprise meet their expectations they became satisfied, therefore, there is link between perceived customer expectation and customer satisfaction. To put much emphasize on this one owner of SMEs was quoted saying that:

In my opinion, selling the products that meets customer expectation is vital as most of the customers have their wishes and expect a certain level of product performance, therefore in order to satisfy them, customer expectations should be met.

Table 4.8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.010	.004		2.531	.013
	Perceived quality	.055	.013	.055	4.346	.000
	Perceived customer expectation	.106	.014	.106	7.847	.000
	Perceived value	1.155	.009	1.156	134.363	.000
a. Dependent Variable: Customer satisfaction						

Source: Field data (2024)

In addition, the descriptive findings indicated that they are more satisfied with the product or service that meet the expected standards (32%), meet the customers' wants (30%), meet the customers' wishes (20%) and meets the customers' anticipated performance (18%) (See table 4.9). These findings are in line with the findings from previous studies. For instance, Miller (1997) established that customers are satisfied with products or services that meet their expected standards. This is the probability of product performance that they purposively calculated before consuming a product. In addition, Swan and Trawick (1980), and Prakash (1984) have pointed out that, customers are more bound to estimates of anticipated performance level of a product. As such, they can be satisfied with the product that meets their anticipated performance level. Miller, (1997) have also pointed out that customers are more satisfied with the product or services they wished for or in other words, customers are satisfied with the performance level of a product that they

wished for. Furthermore, Swan and Trawick (1980) have revealed that customer are more satisfied with the level at which they wanted the product to perform.

Table 4.9: Perceived Customer Expectations and Customer Satisfaction

Variables	Frequencies	Percentage
Selling the product or service that meet the expected standard of customers affects customer satisfaction	32	32
Meeting the customers' anticipated performance level affects customer satisfaction	18	18
Selling the product that meets the customers' wishes affects customer satisfaction	20	20
Selling the product that meets the customers' wants affects customer satisfaction	30	30
Total	100	100

Source: Field data (2024)

4.5 The effect of perceived value on customer satisfaction in SMEs

The statistical analysis through Pearson correlation coefficient indicates a strong positive influence of perceived value on customer satisfaction ($r=0.999$) and a significant relationship between perceived value and customer satisfaction ($p=0.000$) (See table 4.7). Furthermore, perceived value has a positive relationship with customer satisfaction, as the results indicated that customer satisfaction significantly increases by 1.156 times for every effect of perceived value (See table 4.8). This was in line with the interview findings which also indicated that perceived value influence customer satisfaction. To put much emphasis in this, one respondent was quoted saying that:

....in selling the product, the value should balance, this means the price of product should correlate with the quality, although customers prefer

low prices, they can accept high price if the product also have high quality, for instance apple products, or customers can buy high price products from certain shops just because they believe it is worthy taking into account the quality of a product sold by that particular shop, so it is true that perceived value affect customer satisfaction.

This is consistent with the findings of Zeithaml et al. (2006) who they pointed out that perceived value involves the perceptions of customer on the benefits of service or products in relation to perception of customers on the costs associated with that particular service or product. In this case, it is important for micro enterprises to have knowledge of valuing a service of product by taking on board the benefits and costs associated with the product or service.

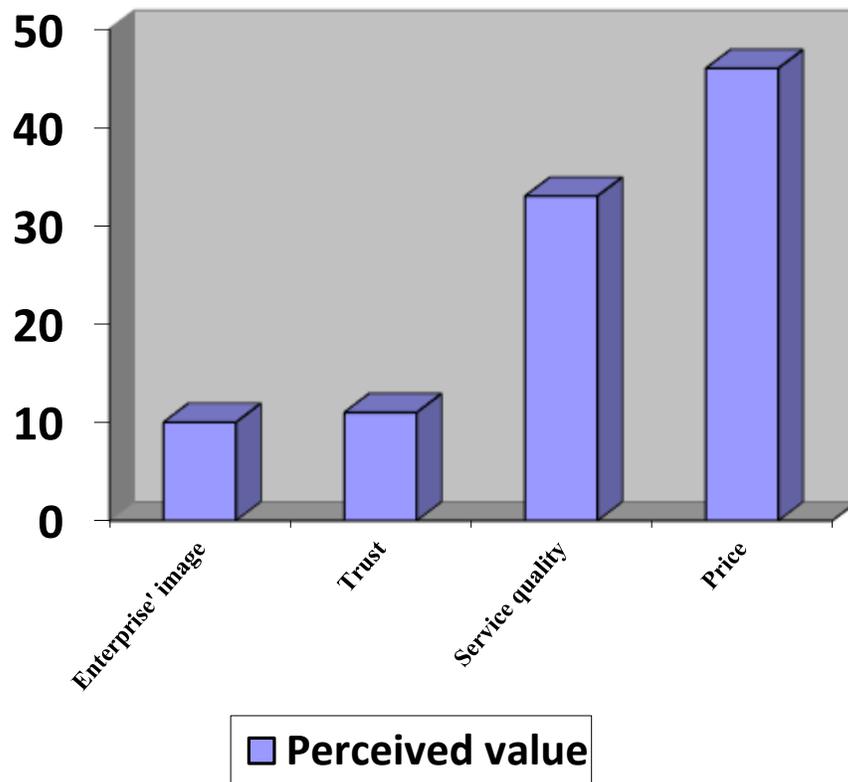


Figure 4.3 Perceived value

Source: Field data (2024)

4.5.1 Enterprise' image

Enterprise or corporate image refers to what people associate with the company or all information such as perceptions, inference and beliefs about it that people hold (Martenson, 2007). It is important for SMEs to be informed that a favorable enterprise image leads to customer satisfaction. This is because the findings of this study indicated that 10% of customers are satisfied with enterprise' image which also increases their loyalty. This is in line with the findings of Pina *et al.* (2006) who revealed that sales can be increased when a company has a favorable company image. This is because customer satisfaction and customer loyalty can be brought by a good image of the company. Greyser (1999) went further and pointed out the three main influences of company image to customer. This includes differentiating the perceptions of customers of service quality and product quality. The second and third are the influences of perceptions of customers of financial value and customer loyalty to the company (Cretu & Brodie, 2007).

4.5.2 Service quality and price

According to Nadiri (2011) service quality is the area of service marketing that attracts attention to multiple stakeholders including researchers due to its influence on customer satisfaction, profitability, customer loyalty, lower costs and business performance. Perceived quality and price are two important variables in determining the value of a product or service. For instance in this study, it was indicated that customers are more satisfied with price (46%) followed by service quality (33%) when purchasing a product or service. Cretu & Brodie (2007) have pointed out that customers' perceived value is like weigh up the costs and benefits. This includes the perceived benefits such as perceived quality of service or product and perceived sacrifices in terms of costs and prices. This implies small and medium sized enterprises should consider service quality and price as the important variables in winning customer satisfaction.

4.5.3 Trust

In service marketing, trust is an important variable as Berry and Parasuraman (1991) insisted that customers buy service before experiencing it, therefore, trust should be ensured as a condition of effective and reliable service. The findings of this study indicated that 11% of customers are satisfied with the trust built by employees as well as the enterprises. This is consistent with the findings of Sirdeshmukh, Singh and Sabol (2002) who pointed out that trust influences the customers' perceived value and customer satisfaction and loyalty.

4.6 Model summary

Multiple regression analysis was deployed so as to establish the effect that independent variables have on the dependent variable. In this study, the independent variables were perceived quality, perceived customer expectation and perceived value, while the dependent variable was customer satisfaction. Due to the importance of the results provided by this model to SMEs and other stakeholders, it was important to determine the quality of this model.

Table 4.10: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	1.000 ^a	1.000	1.000	.01619

a. Predictors: (Constant), perceived value, perceived quality, perceived customerxp

Source: Field data (2024)

From table 4.10 above, R-square is equal to 100% equivalent to 1.000. This implies that this regression analysis model was a very good model, of which independent variables explains 100% of the variance in customer satisfaction.

4.7 Overall findings

The overall results of this study demonstrate that independent variables collectively have a significant relationship with customer satisfaction, as the overall p-value was 0.000^a (See table 11).

Table 4.11: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	68.272	3	22.757	86774.546	.000 ^a
	Residual	.025	96	.000		
	Total	68.297	99			
a. Predictors: (Constant), perceived value, perceived quality, perceived customerexp						
b. Dependent Variable: customer satisfaction						

Source: Field data (2024)

In addition, the owners of small and medium sized enterprises were interviewed and the qualitative data obtained through these interviews were analyzed using content analysis. Qualitative results provide detailed information about important issues concerning customer satisfaction. These issues include knowledge of SMEs owners about customer satisfaction, their perceptions on whether customer satisfaction is important for their business survival or not, whether SMEs owners conduct customer satisfaction follow ups and how SMEs do owners ensure customer satisfaction.

The sampled SMEs owners were asked to explain how they understand about customer satisfaction in order to find out if they have knowledge about customer satisfaction. The interview findings indicate that SMEs owners have knowledge about customer satisfaction. However, it appears that their knowledge about customer satisfaction is not that deeper. According to the SMEs owners who participated in this study, customer

satisfaction is simply the way customers are satisfied with the quality of products, the price and kindness of a seller. For instance, one respondent was quoted saying that:

..customer satisfaction is all about making your customer be satisfied with either the quality of products available at your shop, or the price, other customers are satisfied just because a sales person is very kind, has good language when talking to customers, therefore the customers can be satisfied in different ways.

This is not different from other authors reviewed in the area; for instance Herrmann, Huber and Braunstein (2000) established that customer satisfaction is all about conducting business with the primary goal of responding to the needs of customers first before satisfying the needs of management. Similarly, Matzler and Hinterhuber (1998) pointed out that customer satisfaction can be attained when the business both deliver to customers above the expectations and ensure reliability in exceeding the expectation of customers. Furthermore, according to Gosling, Shang and Marlow (2005) customer satisfaction brings about an increased loyalty of customers, minimal costs of operation and an increased cash flow. Therefore, by looking at these definitions there is no doubt that SMEs have an idea about what customer satisfaction is all about, however, the questions is about their knowledge on how to ensure customer satisfaction.

The respondents were also asked to indicate whether they believe that customer satisfaction is important for their business survival or otherwise. This question was asked because Tatikonda (2013) established that customer satisfaction is important for long term survival of business. The interview findings revealed that business person believe that customer satisfaction is important for their business success as well as survival. This is the reason why business person are always competing to ensure they win a lot of customers, and one of the tip in winning customers is to satisfy them. For instance, one respondent was quoted saying that:

I believe and most of my colleagues believe that customer satisfaction is important for the survival of business, this is why we compete with each other in different ways such as reducing the price, being kind to

customers etc; all of that is to ensure that customers are satisfied and your business survive.

This is consistent with the findings of Fourie (2015) who revealed that, owners of SMEs believe that customer satisfaction was of great importance to them and majority of them believe that their businesses were customer focused and customer friendly.

The respondents were also asked through interview state whether they take inquiry to ask if their customers are satisfied with their products and service delivery. Their responses towards this question demonstrated that most of SMEs owners do not take record on customer satisfaction. However, they use to determine customer satisfaction indirectly such as the number of customers visiting their shop or the way customers talk about their business. One respondent was quoted saying that:

.....to be honest I do not take trouble to ask my customers if they are satisfied with the product am selling or my service delivery, and I do not think my neighbors (his business colleagues) do take the inquiry asking customers whether they are satisfied, however, there are some indicators showing whether customers are satisfied with my business or not, for instance the increase of number of customers visiting my shop shows that customers are satisfied with the way am doing business.

This is not in line with the findings of Fourie (2015) who pointed out that owners of small and medium sized enterprises collect customer satisfaction verbally and on monthly basis. However, the same study revealed that written feedback is more reliable than verbal follow up of customer satisfaction, hence the study recommended record keeping about customer satisfaction in SMEs.

Furthermore, respondents were asked to reveal how they ensure customer satisfaction after most of them declared that customer satisfaction is important for their business survival. The variables that appeared to be taken into account in order to ensure customer satisfaction include price, quality of products and kindness of a seller. To put much emphasis on this, one respondent was quoted saying that:

....I take different steps in order to make customers satisfied, this includes selling at the lowest price compared to my colleagues, selling the quality products, increasing the favors to my customers (for instance the customers that I trust can take a product and pay later) all in all am always kind and taking good care of my customers.

This is not far from the thoughts of American Customer Satisfaction Index model that established that perceived quality, perceived customer expectations and perceived value are the determinants of customer satisfaction (Tung, 2013). This is because the elements pointed out by the sampled SMEs are price, quality of products and kindness of a seller are the dimensions of perceived quality, perceived customer expectations and perceived value. For instance, price is the element of perceived value, quality of product is the element of perceived quality and perceived customer expectation and kindness of a seller is related to empathy, which was pointed out as the element of perceived quality of service.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter covers the summary, conclusion and recommendations reached by this study. The summary reviews the objectives, methods used and the findings of this study. Conclusion part winds up the findings of this study. Thereafter, the chapter provides suggestions as recommendation for policy attention and further researches.

5.2 Summary

This study on “*Factors Affecting Customer Satisfaction in Tanzania SME Sector*” was propelled by the fact that customer satisfaction is a complex thing for a business person to attain especially to SMEs as the majority of owners of SMEs have little knowledge about business management skills and customer satisfaction. The study was guided by three objectives and data was collected from 120 respondents (100 customers and 20 SME owners). Questionnaires, interview and documentary review were used to collect data.

The quantitative data was analyzed quantitatively by using SPSS while the qualitative data were analyzed using thematic and content analyses.

Firstly, this study examined the effect of perceived quality on customer satisfaction in small and medium enterprises. The findings of this study indicated that perceived quality has positive effect on customer satisfaction. In addition, the findings indicated that perceived quality is significantly associated with customer satisfaction.

Secondly, this study ascertained that effect of perceived customer expectation on customer satisfaction in small and medium enterprises. The findings indicated that, perceived customer expectation is significantly associated with customer satisfaction. The findings imply that perceived customer expectation has positive influence on customer satisfaction.

Lastly, this study determined the effect of perceived value on customer satisfaction in small and medium enterprises. The findings of this study revealed that perceived value is significantly associated with customer satisfaction. It was also revealed that perceived value has positive influence on customer satisfaction.

5.3 Conclusion

In respect to the findings obtained through questionnaire, interview and documentary review, this study reached to the conclusion that perceived quality, perceived customer expectation and perceived value constitute factors affecting customer satisfaction. According to the findings of this study, customers measure the quality of products by looking at performance of a product, product features, reliability of a product, conformity with specifications, competence of a product, durability, serviceability, tangibility, responsiveness and empathy in service delivery. The tips that small and medium sized enterprises should consider so as to meet customer expectations includes; selling the products that meets the expected standards; meeting the customers' anticipated performance level of a product; selling the products that meets the customers' wishes; and selling the products that meet the customers' wants. On the side of perceived value, customers satisfaction is highly affected by the trade-off between the price of products,

brand name, enterprises' image, enterprise' trust, employees' trust and the quality of service delivery.

5.4 Policy Recommendations

With respect to the quantitative and qualitative findings and conclusion, this study has reached to the following recommendations:

- i. Training programs should be provided to small and medium enterprises in order to help them market their products and find better ways of achieving customer satisfaction.
- ii. Small and medium enterprises should consider setting reasonable prices that correlates with the quality of products in order to ensure customer satisfaction.
- iii. In order to ensure customer satisfaction, small and medium sized enterprises should sell quality products with regards to durability of a product, product performance, competence of a product, reliability of a product, conformity with specifications, serviceability, service tangibility, responsiveness and empathy in service delivery.
- iv. The study concluded that perceived customer expectation influence customer satisfaction. Therefore SMEs should consider selling the products that meets the expected standards; meeting the customers' anticipated performance level of a product; selling the products that meets the customers' wishes; and selling the products that meet the customers' wants.

Recommendations for further studies

This study creates a room for other researchers to work on, for they may focus on other SMEs such as Agriculture, Livestock and other sectors like industries

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APPENDENCES

QUESTIONNAIRE

1. Characteristics of respondents

S/N	Question/variable	Response	Code
1	Age		
2	Sex	Male Female	1 2
3	Level of education		

2. Perceived quality (Tick the appropriate answer)

Question	Strongly agree	Agree	Neutral	Strongly disagree	Disagree
Performance of a product produced or sold affects customer satisfaction					
Features of product produced or sold affects customer satisfaction					
Conformity with specification of a certain product affects customer satisfaction					
Reliability of a product or service affects customer satisfaction					
Competence of a product produced or sold affects customer satisfaction					
Durability of a product produced or sold affects customer satisfaction					
Serviceability of a product affects customers satisfaction					
Tangibility of service affects customer satisfaction					

Provision of competent of service affects customer satisfaction					
Provision of responsive service affects customer satisfaction					
Empathy in service delivery affects customer satisfaction					

3. Perceived customer expectation (Tick the appropriate answer)

Question	Strongly agree	Agree	Neutral	Strongly disagree	Disagree
Selling the product or service that meet the expected standards of customers affects customer satisfaction					
Meeting the customers' anticipated performance level of a product affects customers satisfaction					
Selling the product that meets the customers' wishes affects customer satisfaction					
Selling the product that meets the customers' wants affect customer satisfaction					

4. Perceived value (Tick the appropriate answer)

Question	Strongly agree	Agree	Neutral	Strongly disagree	Disagree

Product brand image affects customer satisfaction					
Enterprises' image affects customer satisfaction					
Employee's trust affects customer satisfaction					
Enterprises's trust affects customer satisfaction					
The quality of service affects customer satisfaction					
The cost of product or service affects customers satisfaction					

5. Customer satisfaction (Tick the appropriate answer)

Question	Strongly agree	Agree	Neutral	Strongly disagree	Disagree
Customers are satisfied with the quality of products sold by this enterprise					
Customers are satisfied with the quality of service delivery					
Customers are satisfied because this business meet their perceived value					
Customers are satisfied because this business meet their perceived expectation					

INTERVIEW GUIDE

INTERVIEWEE INFORMATION

Gender: Male / Female

Age:.....

Type of business:.....

Business experience (in years):.....

Monthly turnover:.....:

OBJECTIVE OF THE STUDY

The main objective of the study is to examine the factors affecting customer satisfaction in SMEs in Tanzania

QUESTIONS

1. Tell me how do you understand about customer satisfaction?
2. Do you believe that customer satisfaction is important for the survival of this business?
3. Do you take any inquiry to ask your customers if they are really satisfied with your business?
4. What do you do in order to meet customer satisfaction?
5. In your opinion, does perceived quality of goods or service has any effect to customer satisfaction?
6. In your opinion, meeting customer expectation has an effect on customer satisfaction?
7. In your opinion, does perceived value has any effect on customer satisfaction?